

U.S. Data Review

- ISM services: indicating contracting for the first time since June 2024 amid heightened policy uncertainty; prices index remains elevated

Lawrence Werther

lawrence.werther@us.daiwacm.com
+1-212-612-6393

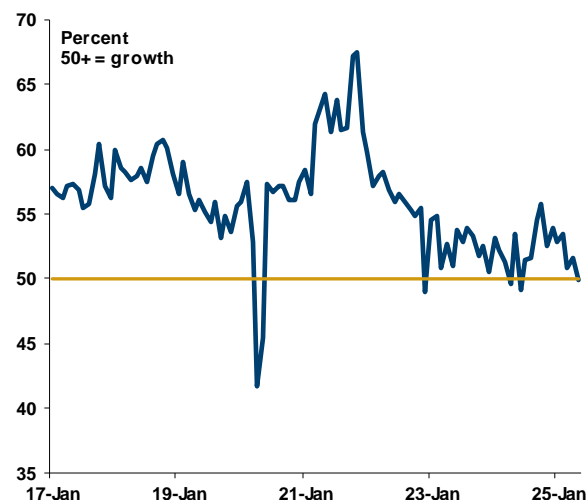
Brendan Stuart

brendan.stuart@us.daiwacm.com
+1-212-612-6172

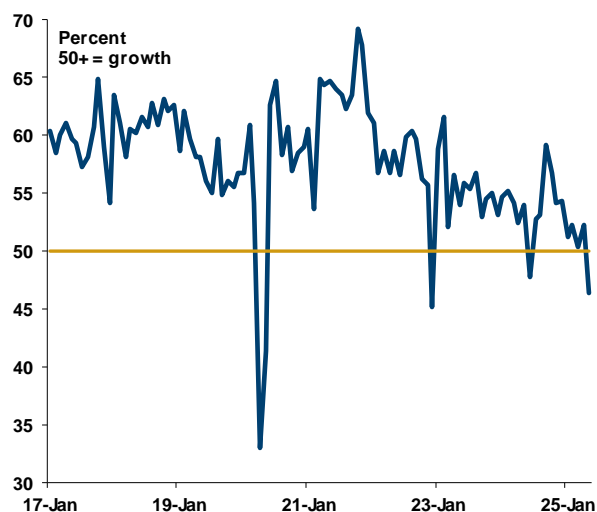
ISM Services Index

- The Institute for Supply Management's services index fell 1.7 percentage points to 49.9 percent in May, notably softer than the Bloomberg economist survey expectation of a 0.4 percentage point increase to 52.0 percent. The latest shift left the metric below the critical threshold of 50.0 percent, ending a 10-month streak of expansion and highlighting the uncertainty currently permeating the services sector. On that point, respondents to the ISM survey noted confusion regarding what duties actually apply, delays in purchases, and disruptions to supply chain functioning.
- The decline in the composite measure was influenced importantly by a drop of 5.9 percentage points in the new orders component to 46.4 percent, its first contractionary reading since June 2024. Six industries reported an increase in new orders in May, down from eight in April. As noted by Steve Miller, Chair of the Institute for Supply Management Services Business Survey Committee: "Respondents continued to report difficulty in forecasting and planning due to longer-term tariff uncertainty and frequently cited efforts to delay or minimize ordering until impacts become clearer." The business activity component also eased in the latest month, decreasing 3.7 percentage points to 50.0 percent – indicative of no change in activity after 59 consecutive months of expansion. With that said, 12 industries reported an increase in business activity in May, up from 10 in April.

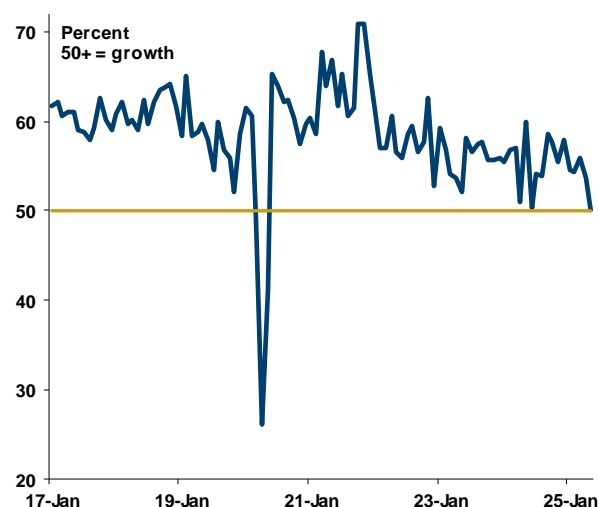
ISM Services: Headline Index



ISM Services: New Orders Index



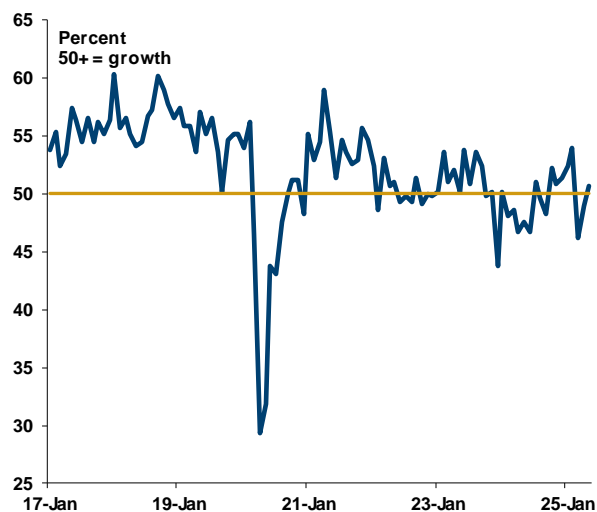
ISM Services: Business Activity Index



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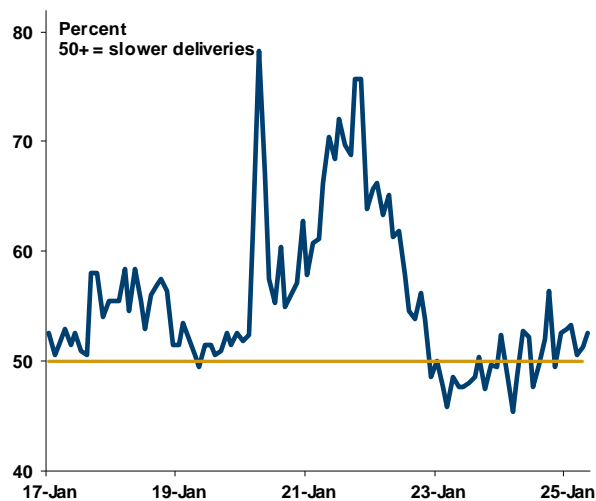
- The employment component, on the other hand, returned to expansion territory in May, ending a two-month period of contraction (+1.7 percentage points to 50.7 percent). Seven industries reported an increase in headcounts, down from eight in the prior month. Despite the uptick, firms mentioned an increase in hiring scrutiny when filling empty positions – suggestive of heightened caution.
- The supplier deliveries index rose 1.2 percentage points to 52.5 percent in May, indicating “slower” deliveries for the sixth consecutive month. Eleven industries reported slower deliveries, unchanged from April. While readings within the general vicinity of 50.0 percent suggest well-functioning supply chains, some respondents suggested emerging dislocations.

ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

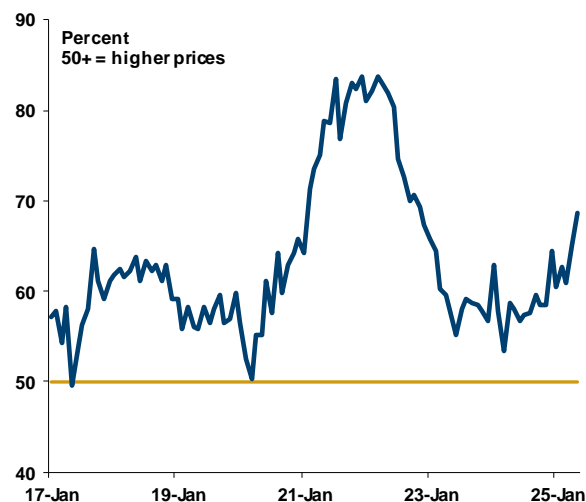
ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

- The prices index continued to tilt higher in May, rising 3.6 percentage points to 68.7 percent (the highest observation since November 2022). Sixteen industries reported an increase in prices paid, down from 17 in the prior month. With raw commodity prices likely to move higher on account of recent developments on the tariff front (with steel and aluminum appearing particularly vulnerable), this index is could face further upward pressure in coming months.

ISM Services: Prices Index



Source: Institute for Supply Management via Haver Analytics